

In the Matter of	)	No. G2000-51
	)	
The Financial Examination of	)	FINDINGS, CONCLUSIONS,
<b>COMMUNITY HEALTH PLAN OF</b>	)	AND ORDER ADOPTING REPORT
<b>WASHINGTON</b>	)	OF EXAMINATION
A Registered Health Care		
Service Contractor.		

---

## BACKGROUND

An examination of the financial condition of:

**COMMUNITY HEALTH PLAN OF WASHINGTON**, (the Company) as of December 31, 1998, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of registration as a health care service contractor. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and recommendations was transmitted to the Company for its comments on August 15, 2000. The Company's response to a draft of the report is attached without adoption, only for the purpose of more convenient review of the response.

The Commissioner or a designee has considered the report (with revisions based on the Company's comments) and the relevant portions of the examiners' work papers.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

## FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 2 through 23 of the report.

## CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **COMMUNITY HEALTH PLAN OF WASHINGTON** and to order the Company to take the actions described in the Instructions and Comments and Recommendations sections of the report. The Commissioner acknowledges that the Company may have implemented some of the Instructions and Comments and Recommendations prior to the date of this order. The Instructions and Comments and Recommendations in the report are appropriate responses to the matters found in the examination.

## ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions and Comments and Recommendations contained in the examination report on pages 3 and 4.

1. The Company is instructed to place securities held in custody of the brokerage firm into custody of a bank, trust company or security depository that is regulated by the Securities and Exchange Commission, the Federal Reserve System, and the banking authorities in its state of domicile, as promulgated by NAIC guidelines and required by WAC 284-07-050. (Instruction 1a.)
2. The Company is instructed to revise its custodial agreement to include the required provisions for indemnifying the Company for lost securities as promulgated by NAIC guidelines, and required by RCW 48.05.250 and WAC 284-07-050. (Instruction 1b.)
3. The Company is instructed to complete Annual Statement Schedule E-Part 2-Special Deposits, reporting any and all securities placed on deposit with the Washington State Office of the Insurance Commissioner or other state insurance regulators, as required by NAIC Annual Statement Instructions and RCW 48.05.250 and WAC 284-07-050. (Instruction 2a.)
4. The Company is instructed to report the Required Indemnity balance, as calculated by Form IC-13A-IC- >Additional Data To Annual Statement=, on Page 3, Line 16 - >Statutory

Reserve= of the Annual Statement, as required by WAC 284-07-050. (Instruction 2b.)

5. It is recommended the Company amend its Investment Policy to:

- a. Limit the investment in any security or obligation of any one person, institution or municipal corporation, in aggregate, to 4% of admitted assets, as required by RCW 48.13.030;
- b. Disallow the purchase of Non-U.S. common stock, as required by RCW 48.13.220(1); and,
- c. Limit the purchase of Non-U.S. bonds only to obligations of the government of the Dominion of Canada, Canadian provinces, Canadian municipalities or obligations of Canadian corporations, as required by RCW 48.13.180(2).

6. It is recommended that the Company write, test and implement a Disaster Recovery Plan, that includes appropriate escalation procedures to resolve operational failures in a timely manner, as required by NAIC Guidelines.

7. It is recommended that the Company prepare a Business Contingency Plan that addresses the continuation of all significant business activities, including financial functions, telecommunication services, and data processing services, in the event of a disruption of normal business activities, as required by NAIC Guidelines.

ENTERED at Lacey, Washington, this 27th day of September, 2000.

DEBORAH SENN  
Insurance Commissioner

By:

JAMES T. ODIORNE, CPA, JD  
Deputy Insurance Commissioner  
Company Supervision Division